



PSC NEWS

Missouri Public Service Commission

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AGREEMENT IN LACLEDE GAS COMPANY RATE CASE APPROVED BY PUBLIC SERVICE COMMISSION

JEFFERSON CITY -- The Missouri Public Service Commission has accepted an agreement between Laclede Gas Company, the Office of Public Counsel (which represents ratepayers in the state), the PSC Staff, the Missouri Department of Natural Resources, the USW Local 11-6, the Missouri School Boards' Association and several large customers of Laclede which resolves all issues in a rate case filed by the natural gas company in December of last year. The Commission's vote was 4 to 1.

The agreement will allow Laclede to increase annual non-gas operating revenues by \$38.6 million with the net impact on customer bills of \$21.1 million in the first year.

Approximately \$5.5 million of the \$38.6 million was already in rates through Laclede's Infrastructure System Replacement Surcharge (ISRS). Residential customers pay an ISRS of \$0.67 per month. When the new rates take effect, the ISRS will be reset to zero.

In addition to the \$5.5 million, the portion of customers' bills reflecting the actual cost of natural gas from wholesale suppliers will be approximately \$12 million less than it would have been this fall because of customer benefits from Laclede's off-system sales revenues. This includes about \$6 million in revenues from gas sales by Laclede outside its service area. Another \$6 million reflects an ongoing estimate of the customers' share of future off-system sales and capacity release revenues. In the past, off-system sales revenues would have gone toward reducing the company's non-gas revenue requirement.

The new rates under the agreement take effect on August 1, 2007, and will result in an increase of approximately \$2.45 per month, or 2.63 percent, for the average residential customer.

Under the agreement, Laclede will make investments in new and continuing low-income energy assistance programs, energy conservation programs and weatherization programs.

The increase reflects increased costs incurred by Laclede Gas Company since its last general rate increase in 2005. These costs involve the operation and maintenance of the company's 16,000 mile distribution system that serves more than 633,000 natural gas customers in eastern Missouri.

After a thorough review of the agreement, the Commission found the parties had reached a just and reasonable settlement in the case.

"Rate increases are necessary from time to time to ensure utilities have the cash flow to maintain safe and adequate service. In addition, the low-income energy assistance and energy efficiency program provisions of this agreement greatly enhance Laclede's current programs, which the Commission believes is also in the public interest," the Commission said.

Under the agreement approved by the Commission:

- ✓ Laclede will invest up to \$600,000 annually to fund a three year pilot low-income energy assistance program;
- ✓ Laclede will increase from \$500,000 to \$950,000 a year, funding for its existing low-income weatherization program. Funds will be forwarded to the Department of Natural Resources for administration in conjunction with DNR's federal Low-Income Weatherization Assistance Program for eligible Laclede residential natural gas heating customers;

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- ✓ Laclede will invest a minimum of \$150,000 a year, and up a total of \$3.5 million over the next three years, to fund conservation and energy efficiency programs recommended by members of an Energy Efficiency Collaborative which will include members from the Office of the Public Counsel, the PSC Staff and DNR;
- ✓ Laclede will continue its existing program for rebates to residential customers, commercial customers and rental units for installation of high efficiency appliances and HVAC equipment; and
- ✓ Laclede, the PSC Staff and the Office of the Public Counsel will enter into a collaborative process within the next 90 days to discuss the development of an experimental program that would offer a fixed-price gas cost option to a maximum of 25,000 Laclede gas customers.

When Laclede filed its rate request last December, it sought a rate increase of approximately \$52.9 million.

Laclede Gas Company provides natural gas service to customers in the City of St. Louis as well as the Missouri counties of St. Louis, St. Charles, Butler, Iron, Franklin, Jefferson, Madison, St. Francois and Ste. Genevieve.